

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS ANKARA 000466

SIPDIS

STATE FOR EUR/SE, EB/EPD, AND EB/TPP/ABT
DEPT PLEASE PASS USTR FOR NOVELLI, DBIRDSEY, JHAFEMEISTER
USDA FOR FAS FOR ITP/SCANDURRA, GRUEFF, BERTSCH, MACKE,
MEYER, THORBURN

E.O. 12958: N/A

TAGS: [ETRD](#) [EAGR](#) [KPAO](#) [TU](#) [USTR](#)

SUBJECT: Turkey Now on Both Sides of GSM Issue

Sensitive but Unclassified. Not for Internet Distribution.

11. (SBU) Summary: After hearing about the benefits of USDA credit guarantee program from the Turkish private sector, the Undersecretariate for Foreign Trade seems to have softened their opposition to the U.S. proposal on export credits. However they remain concerned that the program's subsidy component distorts trade and contradicts their current WTO position on domestic and export subsidies. They are aware of the upcoming meetings in Geneva on this issue and are uncertain whether they will have a revised position in such a short time.
12. (SBU) On January 17, Ag Counselor and Ag Attache met with Deputy Director General for Agreements, Husnu Dilemre at the Undersecretariate of Foreign Trade to discuss the U.S. WTO proposal on export credit programs. After receiving information from domestic groups (see para 3) Dilemre seems to have a more balanced view of the GSM program and recognizes its importance to the domestic feed and poultry industries. At the same time, Dilemre and other officials at Foreign Trade reference a 2002 OECD report entitled Agriculture and Trade Liberalization that identifies a subsidy component to the GSM program. Note: Dilemre stated that, according to the report, USDA's GSM-102 program is more trade distorting than any export subsidy program. End note. This has created a dilemma for Foreign Trade, since according to their WTO position, they strongly oppose domestic and export subsidies. Nonetheless, Dilemre and his staff indicated that will continue discussions on the issue and may seek a more balanced response to WTO discussion on export credits - presumably to one that is more positive than previously reported.
13. (SBU) On January 16, Husnu Dilemre met with a diverse group of domestic agriculture associations (including feed and poultry), banks, the State Planning Office and representatives from the Ministry of Agriculture and Ministry of Industry to discuss the GSM program. Comment: Before the meeting, some industry participants indicated to us that they were surprised and pleased that the government would engage them on such short notice. This is one positive sign that the GOT may be beginning to recognize the need to engage domestic private sector participants as they formulate policy. End Comment. During this meeting, domestic groups impressed upon Dilemre the benefits that the GSM program provided them. Foreign Trade now acknowledges that Turkey is deficient in the production of many agricultural products that are key inputs to several domestic industries. Dilemre also now recognizes the benefits reaped by users of the GSM program. Even long-time opponents of the GSM program including the Ministry of Agriculture, and the Chamber of Agricultural Engineers have softened their criticism.
14. (SBU) Comment. FAS/Ankara along with USDA cooperators and banks encouraged local importers, banks as well as feed and poultry associations to discuss the issue with Turkish officials. Upon hearing that such a discussion of export credit programs was taking place, most of these private sector representatives wrote letters and contacted officials to express their support for continuation of the program with the current terms. FAS/Ankara will follow-up with Foreign Trade on their revision of their position on GSM and any change to their overall WTO position and proposal.

PEARSON